

Caity Marsh
Gambling (Triennial Review)
Department for Culture, Media and Sport
2-4 Cockspur Street
London
SW1Y 5DH

9th April 2013

Dear Mrs Marsh

Re: - Gambling Act 2005: Triennial Review of Gaming Machine Stakes and Prize Limits

This submission is made on behalf of Gala Coral Group (GCG). GCG is Europe's largest fully integrated betting and gaming group and Britain's largest retailer of gaming machines, with over 12,000 machines operated from 1800 premises. GCG operates a wide range of gaming machines through category B1, B2, B3, C and D machines. Therefore GCG is ideally placed to advise on the above review.

In previous years the triennial review has been used by the government to achieve sensible rises in the 'price' (stake and prize levels) of gambling products which gambling operators are unable to increase independently due to legislative restrictions.

We support the triennial review process and, while we recognise that both sides may not always agree on the detail, we strongly call for all concerned to approach this issue using a rigorous and evidenced-based methodology.

This is especially the case with regard to category B2 machines which have been the subject of an ongoing and hugely negative campaign from various groups. The Minister of State for Sport and Tourism, Hugh Robertson MP, publically confirmed to the House recently that there was no evidence to link B2 gaming machines with problem gambling. However, despite this, the consultation document poses certain questions with regard to the potential for category B2 machines to cause harm which are not replicated across other categories. GCG is therefore concerned that the consultation does not begin with a fair and unbiased position.

In pursuit of evidence-based regulation GCG makes the following points:-

1. There is no empirical evidence that directly links B2 machines to the causation of problem gambling. Problem gamblers participate in a number of gambling activities, more so than non problem gamblers. As such problem gambling should be seen in context of the individual and not the specific products that they play.

It is therefore incorrect to lay the issue of problem gambling at the door of any one category of machine or indeed machines in general. This view is supported by research conducted by Professor Leighton Vaughan-Williams (Nottingham Trent University – International Gaming Research Unit) for the ABB and is included in their submission.



2. Leading on from the above, there is also no empirical evidence that reducing the stake and prize levels on gaming machines will actually have a direct effect on reducing problem gambling or minimising the harm those susceptible to problem gambling face. A reduction in stake and/or prize is at best a blunt instrument through which to reduce harm and one that in the modern internet world (which does not have equivalent restrictions) is fast becoming irrelevant for those who do have problem gambling issues.
3. While the case for reducing stake and prize levels in B2's is unproven, the negative social and economic impact that this would cause has been made clear. A report by Deloitte's (The Full Picture – 2nd Edition) was published in March of this year. This report details that the betting sector employs 38,800 (full time equivalent) people directly, supports 100,000 jobs in total and contributes £2.3bn per annum to GDP. In addition, of those jobs a higher than average proportion are held by women and the industry also over-indexes on the employment of 18-24 year olds. The Licensed Betting Office (LBO) sector also pays over £900m per annum in tax and a further £60m in business rates. The Association of British Bookmakers (ABB) commissions a detailed survey each year of its members which is then analysed by an independent statistician. The results of this analysis are then used during discussions with government regarding the health of the sector and the tax burden it faces. The results show that many LBO's earn, on average, only £15,200 per annum (slightly over £40 per day). This level of profit is in stark contrast to the ludicrous suggestion that customers can lose £18,000 an hour on a B2 machine! Any downward movement in the stake and prize of B2 machines would have a dramatic negative impact on shop viability and, therefore, tax and jobs. The ABB has forecasted that, should the maximum stake on B2 machines be reduced to £2, over 90% of LBO's would be at risk with the commensurate reduction in taxation and jobs. As above, the inevitable significant job losses would be all the more concerning as those hardest hit will be the young and female members of society.
4. LBO's are a safe and secure environment in which 8 million customers a year enjoy a mainstream leisure activity. Regulation requires the company, individual premises and key staff to be licensed by the authorities, ensuring that they are 'fit and proper'. Operators act responsibly, pay taxes and do not make excessive profits. Should the government negatively affect this operating model and artificially restrict supply (even more than is already the case) there is a real danger that demand will be driven towards the unregulated markets where the level of protection and transparency (fairness) will be hugely reduced.
5. Whilst we have highlighted that there is a lack of evidence with regard to any link between machines and problem gambling, we are not hiding behind this gap. In conjunction with a number of other major UK gambling operators and key stakeholders, we are actively supporting the Responsible Gambling Trust (RGT) in its research project into category B gaming machines and player behaviours. For the first time, this research will provide a robust picture of the machine sector. Should any risks be identified, the research will also aim to highlight harm mitigation measures which the government and the industry can then employ. The estimated cost of the research project is £500,000 and will be funded directly by the RGT, to which GCG is a significant contributor. To ensure that the research, which is to be conducted by NatCen, remains rigorous and independent the RGT has provided for a 'triple lock' protection arrangement.
6. Recently it has been suggested that the number of betting shops is rapidly expanding and that operators are targeting deprived areas so as to exploit the vulnerable. Such suggestions are emotive, divisive and completely untrue. There are currently around 8,700 LBO's in the UK and those numbers have remained relatively stable over the last ten years. Prior to this, the number of LBO's was considerably more, peaking at circa 16,000 in 1968 before steadily declining to today's levels. More recently, however, licensing conditions have changed, allowing LBO's to position

themselves where it is most commercially viable to do so. As such we have seen some relocate from side streets to high streets where they benefit from higher visibility and footfall. As to distribution, LBO's do not target deprived areas. LBO's are a high volume but low margin business. As such there is a direct correlation between betting shop numbers and population density which has been proven empirically, unlike the outrageous claims made by some campaigners against B2 machines. LBO's concentrate in or close to retail and commercial centres so as to be close to customers and, in that respect, are very similar to most other convenience retail operators.

The DCMS Select Committee reviewed the Gambling Act in 2012. In its report it recommended that, to resolve any unintended clustering of LBO's, local authorities should be given the power to allow some shops more than the current maximum of four B2 machines per shop. We would build on this recommendation and propose that the maximum number of machines should be limited to an average of four per LBO, per operator. This would allow operators to relocate machines from LBO's with low demand to those areas with high demand without the need for additional premises to be opened. Any unintended clustering would therefore be largely addressed, whilst maximising tax yields. This solution would also provide comfort to the government, as it would maintain an overall maximum to the number of B2 machines in relation to the number of LBO's.

7. It is claimed by those who campaign against B2 machines that they are the subject of 'huge public concern'. Again, this is simply untrue. Indeed recent polling proves the opposite. Members of the public were asked to rank thirteen social issues in order of concern. At the top of the list were anti-social behavior, violent crime and illegal drugs. **Bottom** of the list was 'gambling on slot or fruit machines', behind violence on TV, the availability of cheap alcohol and the negative impact of supermarkets on traditional high streets.
8. Opponents to B2 machines often quote that customers can lose £18,000 an hour. Apart from the physical impossibility of loading that level of money onto a machine in such a short time, the odds of a customer losing their entire stake is eleven million trillion to one, or less likely than winning the National Lottery three weeks in a row. Being able to lose £18,000 in an hour is a malicious lie, one of many that campaigners have used to fuel emotive negative stories regarding B2 machines and LBO's in general. Policy makers should challenge and question these myths to expose the lack of factual evidence and the deliberate distortion of the truth that lie behind them.
9. Despite the level of negative comment on B2 machines (and gambling in general), the gambling industry is already highly controlled and regulated. The industry is responsible and fully embraces the three licensing objectives which are at the core of the Gambling Act 2005. All staff receive instruction on how to spot the signs of problem gambling and will intervene in situations where they believe that customers are spending beyond their means. Initially staff will provide educational literature but for those customers that need more help the option of self-exclusion is recommended. GCG does not simply believe this is a 'tick box' exercise and supports a number of voluntary codes and initiatives which go beyond the requirements of the Act and the licensing conditions imposed by the Gambling Commission. For example, our Coral and Gala Bingo divisions were recently and successfully audited by GamCare which has consequently renewed our accreditation. In addition we complete extensive test purchase programs across our retail estate to provide assurance that our Think 21 age verification policy is being complied with. Moving forward we will be working with and supporting the ABB as it looks to introduce a code of responsible gambling in LBO's which cements and builds upon best practice in the industry.
10. Reducing the maximum stake on B2 machines to £2, as some campaigners have called for, would effectively remove this category of machine from the regulated retail gambling sector, bringing stake and prize into line with B3 machines. This is akin to prohibition, a control mechanism that

brings with it a number of issues, not least the loss of individual choice. GCG and the industry as a whole are committed to protecting the vulnerable. Rates of problem gambling are low in the United Kingdom and, while one problem gambler is one too many, in the absence of evidence that undue harm is being caused, the government should be very cautious about removing a popular product, and thereby critically damaging a retail sector which serves 8 million customers a year.

Responses to the specific questions outlined in the consultation document are attached and we would be happy to meet with you to discuss them in more detail.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'C' followed by a horizontal line.

Carl Leaver
Group Chief Executive
Gala Coral Group

Gambling Act 2005: Triennial Review of Gaming Machine Stakes and Prize Limits

Question 1: How often should government schedule these reviews? Please explain the reasons for any timeframes put forward for consideration.

For many years the review of stakes and prizes was completed every three years for all machine types (now termed categories). This system worked well and had the benefit of being a non-politicised 'administration' process which took around 6 months to complete.

More recently the stake, prize and numbers of machines in retail establishments has become a controversial issue and has led to a situation where the last full review of all categories was over 12 years ago.

By contrast remote gambling has no equivalent stake and prize controls or indeed limitations on the number of games/sites permitted. Accordingly it seems inconsistent that the debate over the continuance of the above review occurs at the same time the government announces that it will regulate and tax remote operators at the point of consumption (who will face no such restrictions).

Given this obvious dichotomy both government and the industry should work together to find a better system for retail gambling. However, this debate should run in parallel with the re-introduction of the triennial review which has served both government and the industry well in the past. Not to have this parallel process would lead to further widening of the gap between retail and remote gambling offerings and further distort the market with the 'knock on' effects to retail jobs and investment.

Question 2: The government would like to hear about any types of consumer protection measures that have been trialed internationally, which have been found to be most effective and whether there is any consensus in international research as to the most effective forms of machine-based interventions. The government would also like to hear views about any potential issues around data protection and how these might be addressed.

We are not aware of any consumer protection measures which have been trialed and proven to be effective that are not already in place in the UK, which has relatively low levels of problem gambling when compared to other international jurisdictions. However, the RGT is currently embarking on the most extensive research into machines ever conducted. This research is being supported by the major UK gambling operators, through the provision of transactional data and the donations the industry makes to fund the work of the Trust. Also, both the ABB and Business in Sport and Leisure (BISL) are reviewing best practice across the industry with a view to capturing this within a code of practice.

Question 3: The government would like to hear from gambling businesses, including operators, manufacturers and suppliers as to whether they would be prepared to in the future develop tracking technology in order to better utilise customer information for player protection purposes in exchange for potentially greater freedoms around stake and prize limits.

We welcome the opportunity to work with the government and regulators to bring greater clarity on the issue of player protection. However, it is very early on in all of our understanding of this issue. As such we believe that this and future triennial reviews should continue until we have greater clarity on the benefits that technology could bring.

Question 4: Do you agree that the government is right to reject Package 1? If not, why not?

GCG agrees that the government is right to reject Package 1.

Question 5: Do you agree that the government is right to reject Package 2? If not, why not?

GCG agrees that the government is right to reject Package 2.

Question 6: Do you agree with the government's assessment of the proposals put forward by the industry (Package 3)? If not, please provide evidence to support your view.

GCG notes that the government differs from the industry proposals principally on categories B1, B3 and D (money prize) only. Rather than deal with the merits of arguments in this question we will deal with them later on in our response where the individual categories are covered.

Question 7: Do you agree with the government's proposal for adjusting the maximum stake limit to £5 on category B1 gaming machines? If not, why not?

GCG agrees with the government's proposal.

Question 8: Do you consider that this increase will provide sufficient benefit to the casino and manufacturing and supply sectors, whilst also remaining consistent with the licensing objectives of the Gambling Act?

The increase in stake to £5 will provide some benefit to casinos and we are confident that this will not have a negative impact on the licensing objectives. However, to provide real benefit it needs to be combined with a range of other relaxation/deregulation measures as detailed in the NCiF response.

Question 9: Do you agree with the government's proposal for adjusting the maximum prize limit on B1 gaming machines?

GCG agrees with the government's proposal for adjusting the maximum prize limit on B1 gaming machines. However as to the level of prize we support the position outlined in the National Casino Industry Forum (NCiF) response.

Question 10: If so, which limit would provide the most practical benefit to casino and machine manufacturers without negatively impacting on the licensing objectives of the Gambling Act?

GCG supports the industry and NCiF proposal for a £10,000 maximum prize. We do not believe that this this will have a negative impact on the licensing objectives.

The introduction of a £10,000 prize maintains the current stake/prize ratio currently enjoyed by casino slot players (assuming the proposed £5 stake is accepted). As such this can be introduced efficiently and

resonates with similar internationally available jackpots, where prizes tend to be in multiples of 10 or 100, either in US\$ or Euros.

Question 11: Are there any other options that should be considered

GCG supports the proposals set out by NCiF in respect of progressive linked jackpots and player protection measures.

Question 12: The government would also like to hear from the casino industry and other interested parties about what types of consumer protection measures have been trialed internationally, which have been found to be most effective and whether there is any consensus in international research as to the most effective forms of machine-based interventions.

We refer to the answer given in question 2 above.

Question 13: The government is calling for evidence on the following points:

- a) Does the overall stake and prize limit for B2 machines, in particular the very wide range of staking behaviour that a £100 stake allows, give rise to or encourage a particular risk of harm to people who cannot manage their gambling behaviour effectively?
- b) If so, in what way?
- c) Who stakes where, what are the proportions, what is the average stake?
- d) What characteristics or behaviours might distinguish between high spending players and those who are really at risk?
- e) If there is evidence to support a reduction in the stake and/or prize limits for B2 machines, what would an appropriate level to achieve the most proportionate balance between risk of harm and responsible enjoyment of this form of gambling?
- f) What impact would this have in terms of risks to problem gambling?
- g) What impact (positive and negative) would there be in terms of high street betting shops?

Question 14: a) Are there other harm mitigation measures that might offer a better targeted and more effective response to evidence of harm than reductions in stake and/or prize for B2 machines?

b) If so, what is the evidence for this and how would it be implemented?

c) Are there any other options that should be considered?

GCG has contributed to and fully supports the response prepared by the ABB with regard to category B2 machines. We do not therefore intend to answer the above questions individually. The ABB response is evidence-based and clearly outlines the devastating effect that a reduction in maximum stake to £2 for category B2 machines would have on the retail betting sector. As such the government should ensure that its decision process is equally supported by evidence and proportionate in nature.

Whilst the average stake on B2 machines is far lower than £100, customers gamble at a range of staking levels and this flexibility is an important part of the appeal of B2 machines. Any decision to reduce customer choice should only be taken based on clear evidence that it would prevent harm, which does not exist. This evidence-based approach is particularly important given the damage to the economy, jobs and growth that would accompany a reduction in maximum stake.

Those who gamble at higher stakes are, by the very nature of the roulette game, able to increase their opportunity of a win. Put simply, the more numbers covered, the higher the stake, but the more likely the

win. At the extreme, a customer is able to cover all 37 numbers (0 to 36) and is then guaranteed to win - for example at £1 per number; the customer would stake £37 and would win £36. Rather than a higher stake increasing risk, it enables customers to spread risk.

Question 15: Do you agree with the government's proposal to retain the current maximum stake and prize limits on category B3 gaming machines? If not, why not?

GCG supports the ABB's call to increase the prize to £1000 and to increase the stake to £3.

Question 16: Are there any other options that should be considered?

No.

Question 17 to 22

GCG does not operate any category B3A or B4 machines and therefore does not wish to comment on these questions.

Question 23: Do you agree with the government's proposal to increase the maximum prize to £100 for category C machines?

GCG agrees with the government's proposal to increase the maximum prize to £100 for category C machines.

Question 24: Do you consider that this increase will provide sufficient benefit to industry sectors, whilst also remaining consistent with the licensing objectives of the Gambling Act?

The increase in prize will lead to the creation of new games and through this create additional machine sales. We do not believe that this this will have a negative impact on the licensing objectives.

Questions 25 to 29

GCG operate some category D machines which are predominantly category D complex (reel based) machines. We support the Bingo Association's proposals to increase the stake and maximum prize for adult only premises. However, without a commensurate rise in the MGD bandings the proposed limits will see this machine fall into the 20% MGD rate. As such operators are unlikely to offer this product in favour of category C machines which share the same tax rate but can offer a higher prize.

Question 30: Do you agree with the methodology used in the impact assessment to assess the costs and benefits of the proposed measures? If not, why not? (Please provide evidence to support your answer)

GCG supports the ABB's outlined concerns about the consultation process.

Question 31: Do you agree with the government's approach to monitoring and evaluating the impact of changes to inform future reviews? If not, why not? (Please provide evidence to support your answer).

GCG support the government's proposal to monitor and evaluate the impact of the above proposals.

Question 32: What other evidence would stakeholders be able to provide to help monitoring and evaluation?

Machine income is now captured by Machine Games Duty. The government should look to see how accessible consolidated returns are from HMRC as they could provide a single and definitive measure of performance.

Questions 33 to 36

GCG supports the Bingo Association's proposals in respect of prize gaming.